

## Message Text

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UNCLAS SECTION 01 OF 02 BUDAPEST 0612

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TAGS: BEXP, HU

SUBJ: EXECUTIVE TRADE MISSION: HUNGARIAN INDUSTRIES

REF: STATE 41321

USDOC FOR BEWT (TREICHEL)

THE FOLLOWING ARE CAPSULE SUMMARIES OF HUNGARIAN INDUSTRIES WHICH APPEAR TO BE OF PRINCIPAL INTEREST TO MEMBERS OF EXECUTIVE TRADE MISSION.

1. ELECTRONICS AND TELECOMMUNICATIONS INDUSTRIES: HUNGARIAN ELECTRONICS INDUSTRY, TOGETHER WITH ENTWINED TELECOMMUNICATIONS INDUSTRY, CONSTITUTES SECOND MOST IMPORTANT INDUSTRIAL DEVELOPMENT AREA (AFTER CHEMICALS, THE FASTEST-DEVELOPING INDUSTRY). IN DECEMBER, 1973 ARTICLE BY FOREIGN TRADE MINISTER BIRO LISTED FOLLOWING AS AMONG CURRENT TOP NATIONAL TARGETS FOR NEW OR EXPANDED PRODUCTION:

--COMPUTERS

--ACOUSTIC EQUIPMENT

--SPECIAL SOUND AND VIDEO RECORDERS

--MEDICAL, TELECOMMUNICATIONS, GEODETICAL AND GEOPHYSICAL INSTRUMENTS

--LAMPS

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IT IS KNOWN TOO THAT EXPANSION AND RATIONALIZATION OF SEMI-

CONDUCTOR AND INTEGRATED CIRCUIT PRODUCTION IS ALSO IMPORTANT GOAL. CURRENT PRODUCTION OF FOLLOWING PRODUCTS IS SIGNIFICANT: MICROWAVE EQUIPMENT, AUTOMATIC CENTRAL SUB-EXCHANGES (SWEDISH "ERICSSON" TECHNOLOGY), RADIOS, TV (MOSTLY BLACK AND WHITE), TAPE RECORDERS, AND LAMPS. MICROWAVE EQUIPMENT, SUB-EXCHANGES AND LAMPS ARE NOW SOLD ON WESTERN EXPORT MARKETS AND HUNGARIAN LAMPS (HOUSEHOLD LIGHT BULBS) ARE NOW SOLD IN US. MODERN FACTORY OF TUNGSRAM ENTERPRISE PRODUCING BULBS FOR THESE LAMPS WAS CONSTRUCTED BY CORNING GLASS OF US.

IN ELECTRONICS FIELD, THERE ARE EIGHT LEADING PRODUCTION ENTERPRISES RESPONSIBLE FOR ABOUT 75 PERCENT OF INDUSTRY PRODUCTION:

#### END PRODUCTS

| ENTERPRISE | APPROX PRODUCTION SHARE |
|------------|-------------------------|
| TUNGSRAM   | 25 PERCENT              |
| ORION      | 15                      |
| HIKI       | 10                      |
| EMG        | 15                      |
| EMV        | 10                      |

#### COMPONENTS

|          |    |
|----------|----|
| REMIX    | 40 |
| HAGY     | 25 |
| HIKI     | 20 |
| KONTAKTA | 15 |

PRODUCTION OF COMPUTERS IS BEING EMPHASIZED AND FOLLOWING PRODUCTION ENTERPRISES ARE MAJOR PARTICIPANTS: VIDETON (COMPUTERS), EMG (DESK CALCULATORS AND DIGITAL COMPUTERS), ORION (TRANSMISSION AND DISPLAY PERIPHERALS), HUNGARIAN OPTICAL WORKS (MOM) FOR FIXED TAPE MEMORIES AND PUCHED TAPE PERIPHERALS), HAGY (FERRITE CORES), AND HIKI (INTEGRATED CIRCUITS).

HUNGARY PRODUCES SMALL COMPUTERS AND PERIPHERALS.

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PRODUCTION OF CPU'S TAKES PLACE WITHIN COMPUTER SPECIALIZATION SYSTEM OF COMECON. VIDETON HAS PRODUCED 71 SMALL COMPUTERS DESIGNATED 1010B AND 1010BM AND PRODUCTION OF R-10 COMPUTER IN SMALL SERIES BEGAN RECENTLY. THESE COMPUTERS AND PERIPHERALS HAVE BENEFITED FROM C11 AND SIEMENS TECHNOLOGY. A US COMPANY, BOWMAR, HAS PROPOSED TO "COOPERATE" IN THE PRODUCTION IN HUNGARY OF AHDN-HELD CALCULATORS. UNIVAC AND CONTROL DATA CORP

HAVE REPORTEDLY ALSO SUPPLIED ELECTRONICS TECHNOLOGY. MAJOR EFFORT TO ACQUIRE TECHNOLOGY FOR BOTH ELECTRONICS AND TELECOMMUNICATIONS PRODUCTION HAS BEEN SUPPLEMENTED BY CONTINUING HEAVY INVESTMENT IN RESEARCH BY CENTRAL GOVERNMENT AND UNIVERSITY RESEARCH INSTITUTES AND BY COOPERATIVES AND STATE ENTERPRISES ENGAGED IN PRODUCTION. FLEXIBLE POLICIES INCLUDE RECENT INCREASE BY 20 PERCENT IN CENTRAL GOVERNMENT MANDATED RESEARCHER'S SALARIES. AS EXAMPLE OF PRIORITY FOR RESEARCH, HIKI ALONE EMPLOYS 500 PEOPLE SOLELY IN R&D. WHILE IMPORTS OF ELECTRONICS AND TELECOMMUNICATIONS PRODUCTS ARE WELL BELOW LEVEL OF HUNGARIAN EXPORTS, IN 1972 EXPORTS FROM HUNGARY WERE 107 MILLION DOLLARS. LARGEST CATEGORIES WERE TELEPHONE EXCHANGE SYSTEM (39 MILLION DOLLARS), MICROWAVE EQUIPMENT (16 MILLION DOLLARS), AND DATA TRANSMISSION EQUIPMENT (11 MILLION). WHILE INDIVIDUAL US COMPANIES IN THIS FIELD MUST EVENTUALLY DEAL WITH AN ARRAY OF HUNGARIAN GOVERNMENT AGENCIES AND INSTITUTES AS WELL AS THE PRODUCING ENTERPRISES, INITIAL CONTACT SHOULD NORMALLY BE MADE WITH THE APPROPRIATE FOREIGN TRADING COMPANY (FTO). THE SIX FTO'S COMPETENT IN VARIOUS AREAS OF ELECTRONICS AND TELECOMMUNICATIONS ARE: ELECTROIMPEX, ELEKTROMODUL, BUDAVOX VIDETON, METRIMPEX AND EMV.

## 2. AUTOMOTIVE INDUSTRY.

HUNGARIAN MOTOR VEHICLE PRODUCTION REPRESENTED 6.9 PERCENT OF TOTAL INDUSTRY PRODUCTION IN 1972. HUNGARIAN INDUSTRY PRODUCES SIGNIFICANT QUANTITIES OF TRUCKS AND BUSES. AUTOMOBILES ARE NOT MANUFACTURED IN HUNGARY. HOWEVER, ACCESSORIES AND SPARE PARTS FOR POLISH FIATS AND THE ZHIGULI ARE PRODUCED HERE. THIS PRODUCTION HELPS TO AT

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LEAST PARTIALLY OFFSET THE COST OF EVER LARGER IMPORTS OF AUTOMOBILES. 1972 FIGURES FOR VEHICLE PRODUCTION IMPORTS AND EXPORTS AS FOLLOWS:

|             | 1972 PRODUCTION | IMPORTS | EXPORTS |
|-------------|-----------------|---------|---------|
| BUS         | 6,969           | 686     | 2,607   |
| TRUCKS      | 4,671           | 7,966   | 307     |
| AUTOMOBILES | 0               | 58,380  | 0       |

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TRUCK PRODUCTION: HUNGARY'S TWO PRINCIPAL PRODUCERS OF TRUCKS ARE RABA/GYOR AND CSEPEL AUTO FACTORY. RABA/GYOR MANUFACTURES PRINCIPALLY LARGE TRUCKS AND SEMI-TRAILERS TRUCKS WHILE CSEPEL'S PRODUCTION IS PRINCIPALLY SMALLER TRUCKS. BOTH FACTORIES MANUFACTURE TANK TRUCKS AND REFRIGERATED TANK TRUCKS. CSEPEL ALSO PRODUCES SCOUT CARS AND SMALL AMPHIBIOUS VEHICLES FOR MILITARY PURPOSES. RABA/GYOR HAS CONCLUDED LICENSING AGREEMENT WITH GERMAN FIRM MAN UNDER WHICH SOME OF THE DIESEL ENGINES FOR ITS TRUCKS ARE MANUFACTURED. DURING LAST THREE YEARS HUNGARY HAS CARRIED OUT A PROGRAM TO MODERNIZE ITS TRUCK FLEET AND SCRAP THE LARGE NUMBER OF OUTDATED VEHICLES WHICH STILL IN SERVICE. IN 1971 3,300 TRUCKS SCRAPPED, FIGURE ROSE TO 7,300 IN 1972 AND 10,000 LAST YEAR. STILL LOCAL PRESS HAS COMMENTED THAT MODERNIZATION PROGRAM IS PROCEEDING TOO SLOWLY AND THAT REPAIRS OF OLD VEHICLES ARE REQUIRING EXCESSIVE EXPENDITURES AND WASTE OF MANY MAN HOURS, WHICH COULD BE MORE USEFULLY EMPLOYED ELSEWHERE IN THE ECONOMY.

BUS PRODUCTION: HUNGARIAN BUS PRODUCTION IS SCHEDULED TO BE INCREASED RAPIDLY AND CURRENT PLANS ARE TO PRODUCE 8,500 BUSES IN 1975. PRINCIPAL CONSUMERS FOR HUNGARIAN BUSES ARE USSR, WHICH RECENTLY ACCEPTED DELIVERY OF TEN THOUSANDTH BUS; GDR; POLAND; ROMANIA AND LESS

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DEVELOPED COUNTRIES. AGREEMENTS HAVE BEEN SIGNED WITH IRAQ FOR ASSEMBLY OF IKARUS BUSES IN THAT COUNTRY AND

DISCUSSIONS CONCERNING POSSIBLE ASSEMBLY OF BUSES IN PERU ALSO BEING CARRIED OUT. AS YET HUNGARY HAS NOT YET BEEN ABLE TO MARKET ANY SIGNIFICANT QUANTITIES OF ITS BUSES IN DEVELOPED NON-COMMUNIST COUNTRIES.

IKARUS ONLY SIGNIFICANT MANUFACTURER OF BUSES IS PRIMARILY ENGAGED IN BUS ASSEMBLY, AS POWER PLANT AND MOST OTHER COMPONENTS FOR IDARUS BUSES MANUFACTURED BY OTHER HUNGARIAN ENTERPRISES. MOTORS FOR TOP LINE OF CURRENT PRODUCTION MANUFACTURED ON BASIS OF LICENSING AGREEMENT WITH VOLVO.

AUTOMOBILES: WHILE HUNGARY DOES NOT MANUFACTURE AUTOMOBILES, CAR OWNERSHIP IS GROWING RAPIDLY AND THERE WERE ABOUT 350,000 PRIVATELY-OWNED VEHICLES IN COUNTRY AT END OF 1973. IMPORTS OF CARS ARE SCHEDULED TO RISE TO 80,000 IN 1974. OF THIS 39,000 (28,000 ZHIGULIS WILL BE IMPORTED FROM USSR; 15,000 FROM DDR; 14,500 FROM CSSR; AND 5,700 FROM POLAND). RECENT PROJECTIONS ESTIMATED THAT BY 1985 THERE WOULD BE 1.5 MILLION PRIVATE AUTOMOBILES IN HUNGARY. HUNGARIAN INDUSTRY PRODUCES REAR AXLES FOR POLISH FIATS, DASH BOARDS AND INTERIOR ACCESSORIES FOR THE ZHIGULI, BRAKE DRUMS AND PAINT ND CORROSIVE COMPOUNDS FOR AUTOMOTIVE USES. THIS PRODUCTION HELPS HUNGARY TO DEFRAY SOME OF THE COSTS OF ITS AUTO IMPORT PROGRAM.

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